TOP 1989 MERGERS — TABLES BEGIN ON PAGE 9

American Banker

The Daily Financial Service

VOL. CLV NO. 6 Tuesday, January 9, 1990 155th Year

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

A Grim Omen for Brady Plan?

Mexican Bond Deal May Spell Debt-Reduction Trouble

By JAMES R. KRAUS

NEW YORK — A U.S. proposal to sell zero-coupon bonds to Mexico at below-market prices may signal deeper problems ahead for other debt reduction agreements under Treasury Secretary's Nicholas F. Brady's Third World debt plan.

NEWS ANALYSIS

The Mexican deal was supposed to be the first of a series of debt-reduction agreements aimed at trimming the Third World's $1.3 trillion debt. But banks were unwilling to make the additional loans called for by the agreement.

Analysts said the proposed bond issue is a subsidy that Treasury cannot afford to grant to other Third World countries. Political opposition will likely stymie any such efforts. Without subsidies, they added, debt-reduction agreements with other countries are unlikely to succeed.

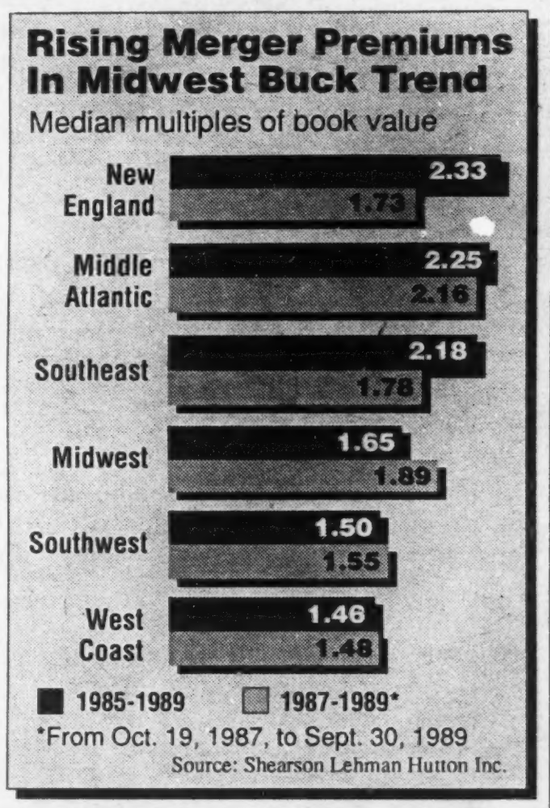
'Desperate Attempt'

The proposed bond sale was characterized as "a desperate political attempt to keep a fatally flawed deal intact" by Christopher Whalen, a political consultant in Washington with Wires Ltd.

Washington insiders said Monday that the proposals, first reported in *The Wall Street Journal,* showed that weeks of administration efforts to convince banks to grant Mexico more favorable terms had failed, forcing the Treasury to make up for the shortfall in the collateral.

According to the *Journal*, the Treasury has agreed to sell Mexico $36 bil-

See MEXICAN: Page 15 ➤



Clarke Warns Retail Loans Are Vulnerable

By JED HOROWITZ

NEW YORK — While real estate lending problems are of most concern to regulators and bankers, regulators are becoming increasingly wary about a surge in nonperforming consumer loans, Comptroller of the Currency Robert L. Clarke said Monday.

Mr. Clarke said his staff in Washington is analyzing data for the third quarter to determine how the deterioration in individual banks' consumer portfolios will affect the overall condition of the banking system.

Too Early for 'Crisis'

He said it is far too early to characterize consumer lending as in crisis, but regulators want to be sure it does not cause the next great loan-loss debacle.

"In other words, we are evaluating just how serious our concern should be," Mr. Clarke said in a speech to the

See CLARKE: Page 15 ➤

Curbs on 2 S&Ls in California Indicate Harsher Stance Than Taken Elsewhere

By SAM ZUCKERMAN

SAN FRANCISCO — The operating restrictions imposed by the Office of Thrift Supervision on two large capital-deficient California thrifts are the harshest moves yet in a national crackdown on the more than 800 institutions that fail to meet the tough capital standards of the federal bailout law.

NEWS ANALYSIS

In the next few weeks, the OTS's 12 district offices plan to mail letters to all capital-deficient thrifts formally notifying them of bans on asset growth, according to OTS spokesman William Fulwider.

The bailout law passed last August call for growth restrictions on capital-deficient thrifts, pending government approval of business plans outling how and when minimum standards would be met. The deadline for filing such plans was Monday.

Halt All Loans, No Dividends

The OTS late Friday ordered Imperial Savings Association, San Diego, and Santa Barbara Savings and Loan Association, Santa Barbara, Calif., to halt all lending and investment operations indefinitely. They also are banned them from taking uninsured deposits, paying dividends, and granting executive bonuses.

The two thrifts can still take deposits, but may add no new assets except

See OTS: Page 15 ➤

Midwest Expected To See More Deals For Banks in 1990

By GORDON MATTHEWS

NEW YORK — After a year of sluggish merger activity, bank acquisitions in 1990 will likely be focused in the Midwestern industrial states, the only region where premiums paid over book value are still rising, analysts said.

The rising premiums reflect pent-up demand for Midwest banks as the region's economy turns around from a decade of decline, said Katherine R. Hensel, an analyst for Shearson Lehman Hutton Inc.

Since the stock market crash of October 1987, the median premium in the Rust Belt was 1.89 times book value, 15% greater than the regional ratio of 1.65 from 1985 through Sept. 30, 1989, according to Shearson. Until recently, the Midwest had lagged behind much of the East Coast in the pace of

See ANALYSTS: Page 10 ➤

Drop in Prime Rate To Cut Profit Margins

By ROBERT TRIGAUX

WASHINGTON — Led by the First National Bank of Chicago and Citibank, major banks across the country dropped their prime rates to 10% Monday, cutting into unusually wide profit margins.

With the Federal Reserve Board now targeting federal funds at 8.25%, the half-point drop in the prime narrows bank spreads to 175 basis points from 225 basis points –

See PRIME: Back Page ➤

Today

Fed Chairman Alan Greenspan, in a rebuttal to Rep. Frank Annunzio, defended his 3% capital standard for banks. — 2

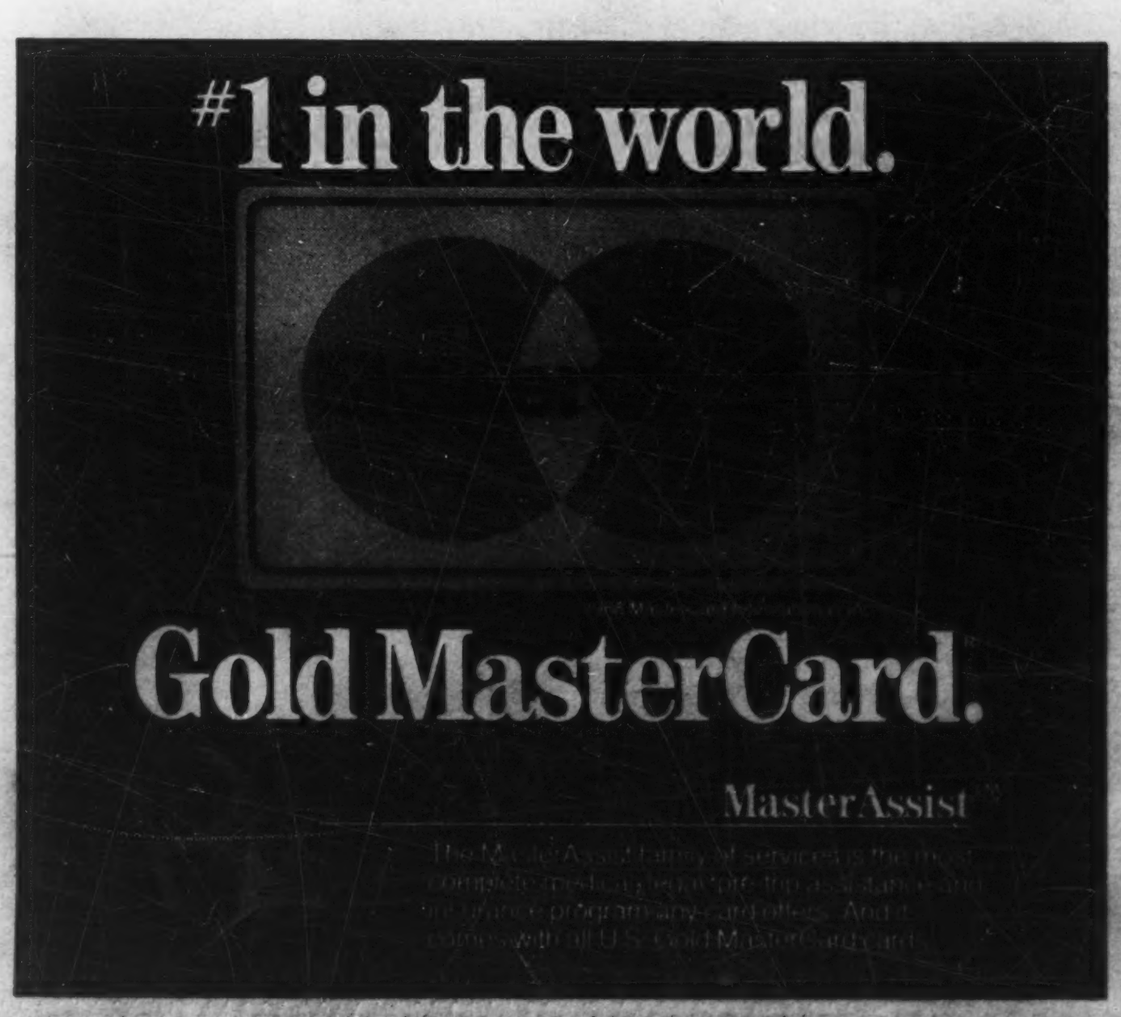
Wells Fargo Bank seeks to boost fee income by expanding services to wealthy customers who hold foreign securities. 2

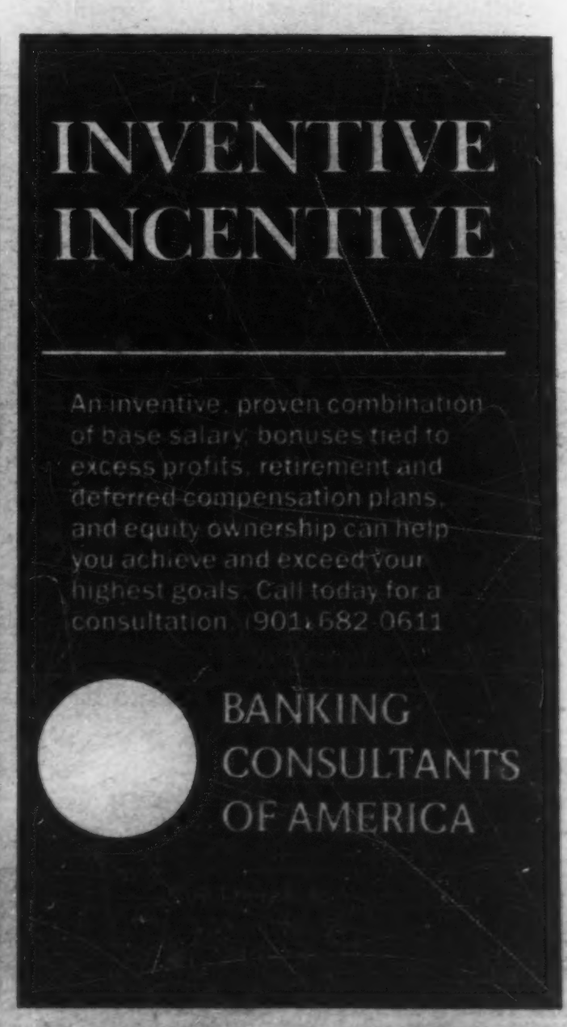
Chemical Banking Corp. promoted David Mooney to head consumer banking at Texas Commerce Bankshares. — 3

Bank-owned leasing companies are asking auctioneers to do appraisals and fee collections when automobile leases expire. — 2

Continental Bank Corp. revealed an increasing commitment to merchant banking with the appointment of Richard L. Huber as a vice chairman. — 3

Inside Financing — 16
International — 9
Real Estate — 8
People — 13




INVENTIVE INCENTIVE
An inventive, proven combination of base salary, bonuses tied to excess profits, retirement and deferred compensation plans, and equity ownership can help you achieve and exceed your highest goals. Call today for a consultation. (901) 682-0611
BANKING CONSULTANTS OF AMERICA

Who Benefits from Bank Acquisitions?

By SANFORD ROSE

CONVENTIONAL wisdom has it that if the criterion for the success of an acquisition is its impact on shareholder wealth, then it is better to be an acquiree than an acquirer. This observation seems nowhere more valid than in the banking industry.

According to "Analyzing Success and Failure in Banking Consolidation," a study just published by the Bank Administration Institute and prepared by FMCG Capital Strategies, acquisition has been a veritable godsend to shareholders of acquired banks.

Suppose that an investor had somehow been endowed with perfect foreknowledge of which banking companies among the 250 largest in the country were going to be acquired from 1982 through 1987. And suppose this investor had theoretically bought the stock of these banks in January 1982 and, as each bank was acquired, had reinvested his money in the stocks in the remaining banks that would subsequently be acquired, at the price prevailing for these banks at that time.

The investor putting $1,000 into stocks of the acquired institutions would have seen his investment grow to $5,200 by the third quarter of 1988. By contrast, if the same investor had put his money into stocks of those top 250 banks that were not subsequently acquired, he would have ended up with a portfolio worth only $2,605. In other words, shareholders of acquired institutions experienced a 420% gain whereas those of nonacquired banks had only a 160% improvement.

The shareholders of acquiring institutions have experienced much less happy results. In 1984 FMCG Capital Strategies analyzed some 26 banks among the top 250 that elected to spend over 10% of their equity capital on acquisitions in 1982. The firm found that by 1984, the stocks of these 26 acquiring banks – dubbed vultures – were trading at a 20% discount relative to those of a peer group of banks of similar size and geographic dispersion.

Updating this analysis, FCMG Capital Strategies found that by 1988, the stock prices of the 26 1982 vultures averaged only 61% of those of the peer group.

Nor is the disappointing stock-price impact of acquisition confined to the 1982 acquirers. The stock performance of the average bank that acquired from 1982 through 1986 worsened progressively each succeeding year after it made its acquisitions.

Thus one year after purchasing other banks, acquirers suffered a price discount equal to between 8% and 15% of the average of their peer group. Three years after acquiring, that discount ranged from 8% to 19%. And five years after acquisition, the average acquiring bank's stock-price discount amounted to nearly 30%.

Even more alarming, the vultures often end up being themselves acquired. Nearly half of the 1982 acquirers were subsequently taken over by other banks. And, very likely, the acquisition-induced weakness in their stock-price facilitated this cannibalization.

Half Fell Victim

Indeed, the pattern of cannibalization mirrors that of stock-price performance. That is, most acquirers are not immediately swallowed up. But after four years, the probability that the acquirer will be itself acquired is high and rising, reflecting its increasingly poor stock-price showing. Thus, while only 4% of the vultures of 1982 had themselves been acquired by 1984, by 1987 38% had disappeared, and by 1988 46% had fallen victim.

Notes the study: "If an acquiring bank knew for sure that the outcomes of the acquisition would be that its stock would trade at an increasingly larger discount to that of other banks and that five to six years down the road the chance of being itself acquired would be around 50%, then it would probably have thought twice about making the acquisition." ■

> 'According to "Analyzing Success and Failure in Banking Consolidation," a study just published by the Bank Administration Institute and prepared by FMCG Capital Strategies, acquisition has been a veritable godsend to shareholders of acquired banks.'

Crime Blotter

By TOM LEANDER

Luxury Cars Are Downfall For Officer at First Fidelity

A former loan officer of First Fidelity Bank, Newark, N.J., was sentenced Dec. 28 to 18 months in federal prison for making bad loans to the owner of a Manhattan nightclub in exchange for free use of imported luxury automobiles.

Antranig A. Arzoomanian, 47, of Alpine, N.J., wasn't required to pay restitution after U.S. District Judge Harold Ackerman found that he lacked the financial resources.

Mr. Arzoomanian pleaded guilty in October to falsely telling a fellow employee at First Fidelity's Paramus, N.J., office that he could authorize a $500,000 letter of credit to Neil Cohen, owner of the Ritz, a nightclub in Manhattan.

Prosecutors charged that Mr. Arzoomanian did not examine Mr. Cohen's financial records, offered him below-market interest rates on his loans, and allowed him to roll over the loans so that the principal was never repaid.

Mr. Cohen admitted to allowing Mr. Arzoomanian use of three Mercedes-Benz 450 SLs with free maintenance and repairs and selling a BMW to Mr. Arzoomanian's secretary for $3,000 less than its wholesale price in return for the loans.

Mr. Cohen, a New York resident, has been charged with receiving more than $4 million in loans from First Fidelity and failing to repay more than $3.1 million. He has pleaded guilty but has not been sentenced.

Ploy by Robbery Suspect Bombs at Citibank Branch

A man claiming he had a bomb inside a briefcase walked into a Citibank branch in uptown Manhattan last Wednesday, but bank employees did not believe him and wrestled the briefcase from his arms, police said.

Nirmal Singh, 30, a Manhattan resident, walked into a Citibank branch at 207th Street and Broadway shortly before 3 p.m. and allegedly told tellers he would blow up the bank unless they handed over $10,000, said police officer Frederick Weiner.

While an employee of the Citicorp subsidiary notified police, others tried to wrestle the case away from the man, Officer Weiner said. During the struggle, the case came open, revealing no bomb inside.

Mr. Singh was charged with first-degree robbery, Officer Weiner said.

• • •

Comptroller Offers Bankers An Antilaundering Primer

The Comptroller of the Currency has released "Money Laundering: A Bankers Guide to Avoiding Problems," a primer for bank officers and directors.

The booklet details often-used schemes to deposit, transfer, and retransfer large sums of money to conceal the criminal activity that generated them.

It also advises banks to beware of customers reluctant to go ahead with a transaction of more than $10,000 when told the deal must be reported to the federal government.

Banks wishing to obtain the booklet or get extra copies should write the Communications Department of the Office of the Comptroller of the Currency, Washington, D.C. 20219, or send a request by fax to (202) 447-0759.

• • •

'Condition Red' Helps Cops Nab Bank Robbery Suspect

Apparently desperate, the 67-year-old owner of a financially troubled helicopter transportation company allegedly robbed a bank in Vancouver, Wash., but was nabbed after a red-dye booby trap exploded, drenching his hands, weapon, and booty.

James Hamilton told Vancouver police after his arrest last Tuesday that his company, Greenleaf Helicopters, had been suffering financial difficulties. He also said he had recently been diagnosed as having cancer, which caused him to lose his pilot's license, impairing his ability do business.

Mr. Hamilton was being held without bail on a charge of first-degree armed robbery. Police said a teller at the Sterling Savings Association on Mill Plain Boulevard gave the robber an undisclosed amount of money, which had been fitted with an explosive dye-loaded device.

Mr. Hamilton was stopped by police a short time later in a nearby residential area. The red-stained money and pistol were on the front seat of his car. ■

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS:
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Nanine Alexander (bureau chief), Lisabeth Weiner
Northeast: Jed Horowitz (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Corporate Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (features editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Dylan Kreuzer, Peggy Turbett, Carl Zeichner

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex., 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU; Tel: 011-441-538-5959; Fax: 011-441-247-0404.

President: George W. Landgrebe
Executive Vice President
Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120.
Single copy $5.75
Wires: WU Telex 882385 Answer Back: AmerBank NYK.WUI 62594 AMERIBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222
©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.
Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission
Those registered witht he Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9598 collect).

Analysts See Midwest Focus For Bank Deals

Continued from Page 1

bank consolidation.

"The Midwest economy has progressed, during the '80s, from our weakest regional economy, except Texas, to our strongest because of what some people see as the coming 'reindustrialization' of America," said Ms. Hensel. "We can expect to see the most merger activity there."

With Midwest banks now viewed as valuable franchises, premiums paid are rising, and competition to acquire those banks grows stronger, she noted.

While premiums are rising in the Midwest, they were lower in the major mergers announced last year, according to the *American Banker's* annual survey of mergers and acquisitions. (A list of the top 1989 mergers begins on page 10.)

Prices Rise; Premiums Fall

The top 10 deals last year carried an aggregate price tag of $7.5 billion, the survey found. That is well over the $4.5 billion for the 10 largest deals of 1988, but the comparison is deceptive in relation to premiums.

The largest deal unveiled last year was the $2.1 billion "merger of equals" between Sovran Financial Corp., Norfolk, Va., and Citizens and Southern Corp., Atlanta. It was announced after the failure of the $2.4 billion bid for C&S by NCNB Corp., Charlotte, N.C.

The second-largest transaction was not strictly a banking merger but the partial sale of a major asset, CIT Group, by Manufacturers Hanover Corp., New York, to Japan's largest banking organization, Dai-Ichi Kangyo Bank, Tokyo, for $1.3 billion.

More revealing than the aggregate price of deals is the fact that both the Sovran-C&S merger and the third-largest transaction, the acquisition of Florida National Banks, Jacksonville, by First Union Corp., Charlotte, are both being done at relatively low premiums.

The combination of Sovran and C&S will bring their shareholders a premium of about 1.6 times book value, and shareholders of Florida National, owner of a valuable franchise in a high-growth state, will get about 1.5 times book. The prices seem far removed from the heady days of 1985-1987, when deals valued at twice book value were routine.

Economy Hurts Premiums

Since then, except for the industrial Midwest, increasing economic worries have meant flat or lower premiums over book value for banks sold.

Nowhere has the falloff in premiums been sharper than in New England, where concerns over the real estate market have cast an economic pall. The median price there, once the nation's highest, has fallen 26%, according to Shearson.

In New England, the median premium has fallen to 1.73 times book since the 1987 market crash, from 2.33 times book, the highest price level in the country. (The 2.33 premium is the median for 1985 through 1989. Shearson was not able to break out figures for 1985 to 1987.)

The figures demonstrate how closely the fortunes of commercial banks in the United States remain tied to the health of local and regional economies.

The increase in Midwestern premiums "largely reflects export-driven strengthening in the region's economy," said Ms. Hensel of Shearson. The Midwest industrial states surveyed were Illinois, Indiana, Kentucky, Ohio, Michigan and West Virginia.

In the Midwest farm states – Wiscon-

See BANK: Next Page

1989 Agreements and Offers

(Prices and assets in millions of dollars)

Acquirer	Assets	Acquired	Assets	Price	Price to Equity	Price to Earnings
Sovran Financial Norfolk, Va.	$23,275	Citizens and Southern Atlanta	$22,061	$2,054	1.6	9.5
Dai-Ichi Kangyo Bank Tokyo	386,937	CIT Group New York	10,000	1,280	N.A.	N.A.
First Union Corp. Charlotte, N.C.	32,200	Florida National Banks Jacksonville, Fla.	7,700	849	1.5	21.7
CoreStates Financial Philadelphia	16,277	First Pennsylvania Philadelphia	6,410	731	2.5	11.8
MNC Financial Baltimore	18,200	Equitable Bancorp. Baltimore	5,200	560.6	2.4	13.3
Boatmen's Bancshares St. Louis	9,590	Centerre Bancorp. St. Louis	5,120	468	1.35	N.A.
Society Corp. Cleveland, Ohio	6,600	Trustcorp. Toledo, Ohio	5,900	455	1.2	18
Banco Popular San Juan, P.R.	4,800	BanPonce Corp. Ponce, P.R.	2,800	455	3.0	20
LaSalle National Corp. Chicago	3,200	Exchange Bancorp Chicago	3,000	420	2.7	15.3
Midlantic Corp. Edison, N.J.	18,628	Central Trust Co. Rochester, N.Y.	2,100	291	N.A.	N.A.
National Westminster Jersey City, N.J.	8,806 Bridge-water, N.J.	Ultra Bancorp.	1,250	282	2.5	15.8
First of America Kalamazoo, Mich.	9,000	Midwest Financial Group Peoria, Ill.	2,300	248	1.5	13.2
Royal Trustco Ltd. Toronto	$18,900	Pacific First Financial Tacoma, Wash.	6,600	212	N.A.	N.A.
Norwest Corp. Minneapolis	21,686	First Interstate of Wisconsin Sheboygan, Wis.	1,537	199	1.5	15.1
Emigrant Savings Bank New York	3,600	Greater New York Savings Bank New York	3,000	181.6	N.A.	N.A.
Fifth Third Bancorp Cincinnati	5,300	First Ohio Bancshares Toledo, Ohio	993	178	2.0	23.4
Wells Fargo & Co. San Francisco	46,976	Central Pacific Corp. Bakersfield, Calif.	825	160	2.9	23.4
Bancorp Hawaii Honolulu	6,700	First Federal of America Honolulu	780	140.8	1.5	12
First Bank System Minneapolis	26,850	Central Bancorp. Denver	2,000	125	0.9	N.A.
Comerica Detroit	11,114	Plaza Commerce Bancorp San Jose, Calif.	431	117	2.9	14.7
Security Pacific Corp. Los Angeles	87,000	La Jolla Bancorp. La Jolla, Calif.	487	102.7	2.9	24.3
Huntington Bancshares Columbus, Ohio	9,585	First Banc Securities Morgantown, W.Va.	418	100	2.1	14.5
Republic New York Corp. New York	25,700	Manhattan Savings Bank New York	3,000	100	N.A.	N.A.
KeyCorp Albany, N.Y.	$12,500	First Wyoming Bancorp. Cheyenne, Wyo.	863	89	1.4	N.A.
Summit Bancorp. Summit, N.J.	2,775	Somerset Bancorp. Somerville, N.J.	425	75	2.35	15.4
Wells Fargo & Co. San Francisco	46,976	Torrey Pines Group Solana Beach, Calif.	399	74.5	2.7	25.7
Banc One Corp. Columbus, Ohio	23,484	Metropolitan Bancorp. Lima, Ohio	255	61	N.A.	N.A.
First Florida Banks Tampa, Fla.	5,500 Ocala, Fla.	Mid-State Federal Savings	1,000	60	1.1	N.A.
Wells Fargo & Co. San Francisco	46,976	Valley National Bank Glendale, Calif.	259	55	2.2	13.4
Mercantile Bankshares Corp. Baltimore	3,800	Baltimore Trust Co. Selbyville, Del.	184	54.7	2.5	21
Huntington Bancshares Columbus, Ohio	9,585	First Macomb Bancorp Mount Clemens, Mich.	361	52	2.3	14.1
Constellation Bancorp. Elizabeth, N.J.	1,219	New Brunswick Savings Bank New Brunswick, N.J.	754	50	N.A.	N.A.
Arrow Bank Corp. Glens Falls, N.Y.	441	United Vermont Bancorp. Rutland, Vt.	330	38.4	1.5	9.5
First of America Kalamazoo, Mich.	$10,250	Quad Cities First Co. Rock Island, Ill.	340	38	1.35	26

1989 Agreements and Offers

(Prices and assets in millions of dollars)

Acquirer	Assets	Acquired	Assets	Price	Price to Equity	Price to Earnings
First Security Corp. Salt Lake City	5,200	United Savings Bank Salem, Ore.	200	36.3	2.0	14.5
Citizens Holding Newport Beach, Calif.	750	Eldorado Bancorp. Tustin, Calif.	198.9	34.2	2.0	14.7
First of America Kalamazoo, Mich.	10,250	Primebank Federal Savings Grand Rapids, Mich	412	32.4	1.5	13
Security Pacific Corp. Los Angeles	87,000	Southwest Bank Vista, Calif.	390	32	2.4	N.A.
Security Pacific (Northwest) Seattle	87,000	Mountain West Savings Couer d'Alene, Idaho	320	31.5	1.75	N.A.
Apple Bank for Savings New York	3,400	Sag Harbor Savings Bank Sag Harbor, N.Y.	250	29.5	N.A.	N.A.
Susquehanna Bancshares Lititz, Pa.	1,300	Elmwood Federal Savings Media, Pa.	258	27.7	1.2	N.A.
Investor Group Baltimore	N.A.	Reistertown Federal Savings Reistertown, Md.	186.5	26	1.43	7.4
First Western Bancorp. New Castle, Pa.	540	First Federal of Western Pa. Sharon, Pa.	360	25	0.9	14.2
Boulevard Bancorp. Chicago	1,324	Northwest Financial Corp. Chicago	200	21	1.9	15
Mercantile Bankshares Baltimore, Md.	3,200	Eastern Shore National Bank Pocomoke City, Md.	64	16	2.6	13.8
Lincoln Financial Fort Wayne, Ind.	1,341	Signal Bancorp Monticello, Ind.	125	15	1.6	21.9
Horizon Financial Beachwood, Ohio	251	Northern S&L Co. Elyria, Ohio	181	14.2	1.3	10.1
City National Corp. Beverly Hills, Calif.	4,300-	Warner Center Bank Los Angeles	60.7	14.1	2.4	17.3
Ashtabula First Bancorp Ashtabula, Ohio	500 Ashtabula, Ohio	Peoples Savings Bank	309	14	1.25	N.A.
Citizens Bancorp. Riverdale, Md.	1,700	Arlington Bank Arlington, Va.	60	12.6	2.38	N.A.
Great Lakes Bancorp. Ann Arbor, Mich.	2,691	Dollar Federal Savings Bank Hamilton, Ohio	152	12.4	N.A.	N.A.
First Eastern Corp. Wilkes-Barre, Pa.	2,473	First National Bank Wyoming, Pa.	51	12.4	1.4	14.3
First Illinois Corp. Evanston, Ill.	1,700 South Elgin, Ill.	Valley Financial Services	80	11.9	2.6	28
Raleigh Federal Savings Raleigh, N.C.	482	First Federal Savings Sanford, N.C.	127.2	11.3	N.A.	N.A.
Gateway Bank South Norwalk, Conn.	1,230	Connecticut Community Bank Greenwich, Conn.	59	9.7	1.4	22.7
Valley National Bancorp Passaic, N.J.	1,720	Meadowlands National Bank North Bergen, N.J	50	7.5	2.1	25.7
First Financial Bancorp. Monroe, Ohio	1,000	ILB Financial North Manchester, Ind.	85	9.4	N.A.	N.A.
Puget Sound Bancorp Tacoma, Wash.	2,200 Mt. Vernon, Wash.	Valley Bank	38.8	6.7	2.3	N.A.
Fifth Third Bancorp. Cincinnati	4,673	C.S. Bancshares Connorsville, Ind.	68	6.6	N.A.	N.A.
Cheshire Financial Keene, N.H.	376	Village Savings Greenville, N.H.	29	4.4	1.4	44
U.S. Bancorp Portland, Ore.	14,524	Yaquina Bay Bank Newport, Ore.	37	4	1.7	11.7
Moore Financial Group Boise, Idaho	3,400	First Security Bank Tacoma, Wash.	34	3.6	N.A.	N.A.
BankAmerica Corp. San Francisco	96,688	Woodburn Bancorp Woodburn, Ore.	15	3.3	1.7	28
One Valley Bancorp Charleston, W.Va.	1,778	Farmers & Citizens State Bank Clendenin, W.Va.	59	2.4	1.1	N.A.

Sources: American Banker, Securities Data Co., Keefe Bruyette & Woods Inc. and Lyons, Zomback & Ostrowski Inc.

Bank Analysts See More Deals For Midwest

▸ Continued from Page 10

sin, South Dakota, North Dakota, Nebraska, Missouri, Minnesota, Kansas, Iowa, and Arkansas – the median premium since Oct. 19, 1987, was 1.43, versus 1.48 for 1985 to 1989.

Median Over 2 in Mid-Atlantic

Meanwhile, in the Middle Atlantic region, where the diversified economy has softened but is more vibrant than New England's, the median premium paid for banks has fallen to 2.16 times book value, from 2.25.

But significantly, the Middle Atlantic region is now the only one where the median price for banks remains above the level of twice book value.

In the East, Ms. Hensel said, falling prices could prompt an increase in acquisitions. Smaller banks that have held out for higher prices may realize as the economy slows that they do not have a competitive slice of the banking market and be forced to adopt a more realistic assessment of their true value.

"The wide spread that has existed between the bid and ask prices in bank takeovers is narrowing, in our view, and should create a pickup in transactions," Ms. Hensel said.

"In the Northeast, chairmen at 90% of the target banks who would have thrown you out of their offices a year ago would welcome you with open arms today," said John J. Lyons, managing principal of Lyons, Zomback & Ostrowski, a New York consulting firm.

The remaining 10%, the cream of the crop, will likely not take much lower prices, barring a sharp recession, said another analyst.

"I think they're not under pressure and will sit and wait, for a year or two if necessary, and won't mind staying independent to get their price," said Lacy M. Shockley, regional banking analyst for Smith Barney, Harris Upham & Co.

Acquisition Targets Listed

Ms. Shockley picks the stellar targets as Signet Banking Corp. and Crestar Banking Corp., both of Richmond, Va.; Dominion Bankshares Corp., Roanoke, Va.; First Virginia Banks, Falls Church, Va.; BB&T Financial Corp., Wilson, N.C.; Summit Bancorp., Summit, N.J.; Mercantile Bankshares, Baltimore; and UJB Financial Corp., Princeton, N.J.

The least pressure of all is probably felt by the prime independents in the Southeast, she said. "I would be extremely surprised to see any unfriendly deals in that area anytime soon, and that's what really puts the sellers under pressure."

The situation in the Rust Belt is quite different from in the Northeast or Southeast.

"The structure of the banking industry there lends itself to acquisitions and mergers of equals," said Ms. Hensel. "There are many midsized banks in the area with assets of $8 billion to $12 billion but only five very large likely acquirers."

They are: Banc One Corp., Columbus, Ohio; First Chicago Corp.; NDB Bancorp, Detroit; National City Corp., Cleveland; and PNC Financial Corp., Pittsburgh.

A point on which nearly all industry analysts agree is that the availability of healthy thrift institutions for acquisition by banks will not have a major impact this year on the purchase prices of commercial banks. "While cheaper up front," Ms. Hensel said, "thrifts lack the customer base and management expertise that characterize full-service commercial banks." ■

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10, 11